

**CHOICE FOUNDATION,
A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Audit of Financial Statements

June 30, 2014

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Independent Auditor's Report

To the Board of Directors
Choice Foundation, a Non-Profit Organization
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Choice Foundation, a Non-Profit Organization (the Foundation), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion.

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Choice Foundation, a Non-Profit Organization, as of June 30, 2014, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of board of directors, combining statement of financial position, and combining statement of activities are presented for the purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Performance and Statistical Data included as Schedules 1 through 9, are not a required part of the basic financial statements, but are supplementary information required by Louisiana State law. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures, which are described in the Independent Accountant's Report on Applying Agreed-Upon Procedures. However, we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 17, 2014, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA
December 17, 2014

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Statement of Financial Position
June 30, 2014

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 1,918,565
Grants Receivable	1,906,054
Prepaid Expenses	<u>49,452</u>
Total Current Assets	<u>3,874,071</u>
Property and Equipment	
Furniture, Fixtures, and Equipment	2,388,307
Leasehold Improvements	1,858,700
Less: Accumulated Depreciation	<u>(2,652,438)</u>
Net Property and Equipment	<u>1,594,569</u>
Total Assets	<u><u>\$ 5,468,640</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 422,142
Accrued Expenses	<u>1,504,074</u>
Total Current Liabilities	<u>1,926,216</u>
Net Assets	
Unrestricted	<u>3,542,424</u>
Total Net Assets	<u>3,542,424</u>
Total Liabilities and Net Assets	<u><u>\$ 5,468,640</u></u>

The accompanying notes are an integral part of these financial statements.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Statement of Activities
For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
State and Local Public School Funding			
Minimum Foundation Program	\$ 17,919,604	\$ -	\$ 17,919,604
Federal Grants	5,881,375	-	5,881,375
Federal School Lunch Program	1,024,561	-	1,024,561
Private Grants and Donations	-	299,776	299,776
Other State Funding	193,485	-	193,485
Other Income	173,164	-	173,164
Interest Income	226	-	226
Net Assets Released From Restrictions	299,776	(299,776)	-
Total Support and Revenue	25,492,191	-	25,492,191
Expenses			
Program Services			
Regular Education Programs	11,324,659	-	11,324,659
Operation and Maintenance of Plant	2,880,346	-	2,880,346
Special Education Programs	2,390,323	-	2,390,323
School Administration	2,112,643	-	2,112,643
Food Service Operations	1,020,062	-	1,020,062
Pupil Support Services	524,249	-	524,249
Special Programs	489,978	-	489,978
Instructional Staff Services	157,295	-	157,295
Other Instructional Programs	75,053	-	75,053
Student Activities	19,304	-	19,304
Management and General			
Business Services	1,550,199	-	1,550,199
General Administration	346,372	-	346,372
Central Services	102,248	-	102,248
Total Expenses	22,992,731	-	22,992,731
Loss on Disposal of Property and Equipment	142,604	-	142,604
Total Expenses and Losses	23,135,335	-	23,135,335
Change in Net Assets	2,356,856	-	2,356,856
Net Assets, Beginning of Year	1,185,568	-	1,185,568
Net Assets, End of Year	\$ 3,542,424	\$ -	\$ 3,542,424

The accompanying notes are an integral part of these financial statements.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2014

Cash Flows from Operating Activities	
Change in Net Assets	\$ 2,356,856
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities	
Depreciation	368,154
Loss on Disposal of Property and Equipment	142,604
(Increase) Decrease in:	
Grants Receivable	(925,305)
Prepaid Expenses	(10,385)
Increase (Decrease) in:	
Accounts Payable	112,296
Accrued Expenses	237,810
Net Cash Provided by Operating Activities	2,282,030
Cash Flows from Investing Activities	
Purchase of Property and Equipment	(1,129,283)
Net Cash Used in Investing Activities	(1,129,283)
Cash Flows from Financing Activities	
Payments on Lines of Credit	(720,735)
Proceeds from Lines of Credit	270,735
Payments on Note Payable	(409,283)
Net Cash Used in Financing Activities	(859,283)
Net Increase in Cash and Cash Equivalents	293,464
Cash and Cash Equivalents, Beginning of Year	1,625,101
Cash and Cash Equivalents, End of Year	\$ 1,918,565
Supplemental Disclosure of Cash Flow Information	
Cash Paid for Interest	\$ 1,017

The accompanying notes are an integral part of these financial statements.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization

Choice Foundation, a Non-Profit Organization (the Foundation), d/b/a Lafayette Academy Charter School, Esperanza Charter School, and McDonogh 42 Elementary Charter School, incorporated on November 29, 2004, is an educational institution organized to inform and educate citizens of Louisiana on how school choice initiatives can improve primary education in Louisiana.

The Louisiana Board of Elementary and Secondary Education (BESE) approved the granting of a charter to the Foundation to operate Lafayette Academy Charter School effective September 26, 2006, for an initial term of three years which terminated on June 30, 2009. BESE granted the Foundation a two-year extension of Lafayette Academy Charter School's charter contract which terminated on June 30, 2011. BESE granted the Foundation a three-year extension of Lafayette Academy Charter School's charter contract which terminated on June 30, 2014. In December 2013, BESE granted the Foundation a five-year renewal of Lafayette Academy Charter School's contract to operate a Type 5 Charter School in the Louisiana Recovery School District, as defined in Louisiana Revised Statutes (L.R.S.) 17:3992 and 3998. This extension was pursuant to the Evaluation Framework and applicable provision of Title 17, Chapter 42, of the Louisiana Revised Statutes and is currently scheduled to expire on June 30, 2019.

The Louisiana Board of Elementary and Secondary Education (BESE) approved the granting of a charter to the Foundation to operate Esperanza Charter School effective July 1, 2010, for an initial term of four years, which terminated on June 30, 2014. In December 2013, BESE granted a one-year extension of Esperanza Charter School's charter contract to operate a Type 5 Charter School in the Louisiana Recovery School District, as defined in L.R.S. 17:3992 and 3998, which terminates on June 30, 2015. Upon completion of the Esperanza Charter School's fifth year of operation, the charter contract may be renewed at the discretion of BESE pursuant to the Evaluation Framework and applicable provision of Title 17, Chapter 42, of the Louisiana Revised Statutes.

The Louisiana Board of Elementary and Secondary Education (BESE) approved the granting of a charter to the Foundation to operate McDonogh 42 Elementary Charter School effective July 1, 2012, for an initial term of four years, which terminates on June 30, 2016. BESE shall conduct a fourth-year evaluation of McDonogh 42 Elementary Charter School and may grant a one-year extension of the charter school contract to operate a Type 5 Charter School in the Louisiana Recovery School District, as defined in L.R.S. 17:3992 and 3998. Upon completion of the School's fifth year of operation, the charter contract may be renewed at the discretion of BESE pursuant to the Evaluation Framework and applicable provision of Title 17, Chapter 42, of the Louisiana Revised Statutes.

A summary of the Foundation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation

The Foundation follows the guidance of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Foundation is required to present a statement of cash flows.

The Foundation also follows the guidance of the *Not-for-Profit Entities* Topic of the FASB ASC, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor-imposed time or purpose restrictions. Restricted contributions are classified as unrestricted if the restriction was met in the same year the contribution was made.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of the Foundation are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising

Advertising costs, which are included in general and administrative expenses, are expensed as incurred.

Cash and Cash Equivalents

During the year, cash may consist of both unrestricted and restricted balances. Unrestricted cash balances represent cash available for general operating purposes. Restricted cash balances consist of amounts credited to the Foundation's bank accounts from donations received from individuals or entities who specified the use of the contribution.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Grants Receivable

The Foundation received various state and federal grants to fund programs and operations. The grants are on a reimbursement basis and grants receivable at year end are stated at unpaid balances for expenditures incurred during the year. As of June 30, 2014, based on management's experience with the collection of grants from the State of Louisiana, the grants receivable are considered to be fully collectible.

Contributions and Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Revenues from federal and state grants are recorded when the Foundation has a right to reimbursement under the related grant, generally corresponding to the incurring of grant-related costs by the Foundation, or when earned under the terms of the grants. An accrual is made when eligible expenses are incurred.

The Foundation's primary source of funding is through the State's Minimum Foundation Program. The Foundation receives revenue from the State based on eligible students in attendance on a monthly basis. State and federal grants are on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

In-Kind Donations

The Foundation records in-kind value of goods and services contributed to support various activities as support and related expenses. In-kind support was estimated at \$3,316, for the year ended June 30, 2014, which included donations for professional services.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and betterments that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Normal building maintenance and minor equipment purchases are included as expenses of the Foundation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Income Taxes

The Foundation is recognized by the Internal Revenue Service as a Section 501(c)(3) tax-exempt organization. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income.

Compensated Absences

All teachers and staff are provided 10 days of paid annual sick leave. If the employee terminates at June 30th, the remaining days are forfeited. Accordingly, the Foundation does not recognize a liability for accumulated compensated absences.

Reversionary Interest in Funds and Assets

All funds received from the Louisiana Department of Education, United States Department of Education, or other state or federal agency are to be used for educational purposes as described in the Foundation's charter agreement and grant awards. These agencies, however, have a reversionary interest in these funds, as well as any assets acquired with these funds. Should the charter agreement not be renewed, those funds and assets will transfer to the appropriate agency.

Note 2. Concentrations

The Foundation received 70% of its revenues for the year ended June 30, 2014, from the State of Louisiana, subject to its charter agreement with the State.

The Foundation received 27% of its revenues for the year ended June 30, 2014, from the federal government, subject to grant agreements with the United States Department of Agriculture, the United States Department of Education, and the United States Department of Health and Human Services.

All of the students and employees of the Foundation live in the Greater New Orleans area.

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be recovered. The Foundation periodically maintains cash in bank accounts in excess of insured limits. As of June 30, 2014, the Foundation's bank balances were \$2,513,638. Balances insured by the Federal Deposit Insurance Corporation (FDIC), which covers the total balance of accounts up to \$250,000 per financial institution, totaled \$250,000. The remaining deposits of \$2,263,638 were uninsured. The Foundation has not experienced any losses as a result of this practice.

Note 3. Cash and Cash Equivalents

The Foundation's cash and cash equivalents (book balance) at June 30, 2014, were \$1,918,565, which are stated at cost and approximate market.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 4. Grants Receivable

As of June 30, 2014, grants receivable totaled \$1,906,054, which were receivables for federal and state grants passed through the Louisiana Department of Education and New Schools for New Orleans. The stated balance is considered to be fully collectible.

Note 5. Property and Equipment

Depreciation expense totaled \$368,154, for the year ended June 30, 2014.

Note 6. Retirement Plan

Effective July 1, 2011, the Foundation began offering a 401(k) plan to employees age 21 or older who are immediately vested upon entering the plan. Eligible employees may contribute up to the maximum allowed by the IRS. The Foundation matches a percentage of elective contributions determined from year to year. Matching contributions are based on a discretionary percent of compensation or a discretionary dollar amount. The Foundation match for the year ended June 30, 2014, was 5% and amounted to \$562,381.

Note 7. Leases

Effective September 26, 2006, the Foundation entered into an agreement with the State of Louisiana, Department of Education, Recovery School District, which allows the Foundation to use the facilities and its contents located at 2727 South Carrollton Avenue, New Orleans, Louisiana 70118. The lease agreement is a component of Lafayette Academy Charter School's charter agreement and is currently scheduled to expire on June 30, 2019.

Effective July 1, 2010, the Foundation entered into an agreement with the State of Louisiana, Department of Education, Recovery School District, which allows the Foundation to use the facilities and its contents located at 4407 South Carrollton Avenue, New Orleans, Louisiana 70119. The lease agreement is a component of Esperanza Charter School's charter agreement and is currently scheduled to expire on June 30, 2015.

Effective July 1, 2012, the Foundation entered into an agreement with the State of Louisiana, Department of Education, Recovery School District, which allows the Foundation to use the facilities and its contents located at 3019 Higgins Boulevard, New Orleans, Louisiana 70126. The lease agreement is a component of McDonogh 42 Elementary Charter School's charter agreement and is currently scheduled to expire on June 30, 2016.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 7. Leases (Continued)

Alterations made by the Foundation shall not diminish the value of the property at the time the alterations are approved, unless agreed upon by the State of Louisiana, Department of Education, Recovery School District, and the Foundation. Any physical additions or improvements to the property will become property of the State of Louisiana, Department of Education, Recovery School District. The State of Louisiana, Department of Education, Recovery School District may require, at the expense of the Foundation, to remove these physical additions or improvements.

Non-capital assets acquired by the Foundation with non-public funds will remain the property of the Foundation. Assets purchased with public funds obtained from public sources will automatically revert to the Board of Elementary and Secondary Education at the time this agreement is terminated.

The Foundation must maintain records of any assets acquired with private funds that will remain the property of the Foundation.

The Foundation is responsible for all necessary maintenance to ensure that the facilities comply with all state and local health and safety standards and other applicable laws, regulations, and rules.

Use of the property is not recorded as an in-kind contribution from, or related rent expense to, the State of Louisiana, Department of Education, Recovery School District. The value of the use of the land and building is not readily determinable. The agreement is classified as an exchange transaction because both parties receive significant value from this arrangement. Accordingly, the present value of the benefit to be received in future years has not been recorded.

Note 8. Lines of Credit

Lafayette Academy Charter School has a \$200,000 line of credit with Capital One Bank. The line has no defined maturity date and is due on demand. The line carries a variable rate of interest payable monthly at the Wall Street Journal prime rate (3.25% at June 30, 2014), plus 1%, adjusted daily. The line is unsecured. The balance on the line of credit was \$-0-, at June 30, 2014.

Esperanza Charter School has a \$125,000 line of credit with Capital One Bank. The line has a maturity date of February 15, 2016 and is due on demand. The line carries a variable rate of interest payable monthly at the Wall Street Journal prime rate (3.25% at June 30, 2014). The line is unsecured. The balance on the line of credit was \$-0-, at June 30, 2014.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 8. Lines of Credit (Continued)

McDonogh 42 Elementary Charter School has a \$125,000 line of credit with Capital One Bank. The line has a maturity date of June 10, 2016 and is due on demand. The line carries a variable rate of interest payable monthly at the Wall Street Journal prime rate (3.25% at June 30, 2014), plus 1.75%, adjusted daily. The line is unsecured. The balance on the line of credit was \$-0- at June 30, 2014.

Note 9. Minimum Foundation Program (MFP)

The State of Louisiana provides funding which is determined on an annual basis based on the number of pupils enrolled in the Foundation as of October 1st. This state-funded per pupil allocation is based on the most recently approved Minimum Foundation Program formula resolution. For the year ended June 30, 2014, the Foundation recognized revenue of \$7,357,079.

The Orleans Parish School Board (OPSB) provides funding to the State of Louisiana, collected from local agencies, which passes through to the Foundation as local MFP, which is determined on an annual basis based on the number of pupils enrolled as of October 1st. Revenues received by OPSB from sales tax revenues, ad valorem taxes, and other sources are allocated to each school based on its enrollment. For the year ended June 30, 2014, the Foundation recognized revenue of \$8,404,269.

The Foundation received certain special distributions from OPSB related to MFP true-up calculations performed by OPSB for previous years. For the year ended June 30, 2014, the Foundation recognized revenue of \$1,988,934 related to these distributions.

The Louisiana State Government passed through an appropriation to the OPSB, which was awarded to the Foundation as part of House Bill No. 1, to provide funding for ordinary operating expenses of the Foundation. For the year ended June 30, 2014, the School recognized revenue under this grant of \$169,322, which is included in minimum foundation program revenue on the statement of activities.

Note 10. Restrictions on Assets

Temporarily restricted net assets are restricted by donors for specific programs, purposes, or to assist specific departments of the Foundation. These restrictions are considered to expire when payments for restricted purposes are made. None of the temporarily restricted net assets are time-restricted by donors.

Temporarily restricted net assets at June 30, 2014, available for instructional and other purposes, totaled \$-0-.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 11. Commitments

The Foundation has employment contracts, as are standard in the field of education, with most of its employees. The contracts for the current year expired June 30, 2014. All contracts provide for a minimum annual salary and benefits.

Note 12. Risk Management

The Foundation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the year ended June 30, 2014.

Note 13. Uncertain Income Taxes

The Foundation's 2010, 2011, and 2012 tax returns were filed appropriately. As of December 17, 2014, the Foundation had not filed its 2013 tax return. The Foundation recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The Foundation's tax filings are subject to audit by various taxing authorities. The Foundation's open audit periods are 2010 through 2012. Management has evaluated the Foundation's tax position and concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Note 14. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 17, 2014, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
Choice Foundation, a Non-Profit Organization
New Orleans, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Choice Foundation, a Non-Profit Organization (the Foundation), and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of the Foundation, and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings that relate to the accompanying schedules of supplementary information are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
 - Total General Fund Instructional Expenditures
 - Total General Fund Equipment Expenditures
 - Total Local Taxation Revenue
 - Total Local Earnings on Investment in Real Property
 - Total State Revenue in Lieu of Taxes
 - Nonpublic Textbook Revenue
 - Nonpublic Transportation Revenue

Findings:

None

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Education Levels of Public School Staff (Schedule 2)

2. We reconciled the total number of full time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals and Full Time Classroom Teachers" (Schedule 4) to the combined total number of full time classroom teachers per this schedule and to the Foundation's supporting payroll records as of October 1st.
3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals and Full Time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.
4. We obtained a list of principals, assistant principals and full time teachers by classification as of October 1st and as reported on the schedule. We traced each of the teachers to the individual's personnel file to determine if the individual's education level was properly classified on the schedule.

Findings:

Of the 25 employees selected for testing, two (2) of the teachers' certification status as reported on the internally prepared schedule did not agree to the personnel file. Schedule 2, presented on page 21, has been corrected.

Number and Type of Public Schools (Schedule 3)

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title I Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

Findings:

None

Experience of Public Principals, Assistant Principals and Full Time Classroom Teachers (Schedule 4)

6. We obtained a list of principals, assistant principals and full time teachers by classification as of October 1st, and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

Findings:

Of the 25 employees selected for testing, seven (7) of the teachers' personnel files showed years of experience that did not agree to the experience level classification shown on the internally prepared report. Schedule 4, presented on page 23, has been corrected.

Public School Staff Data (Schedule 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation and ROTC or rehired retiree status as well as full time equivalents as reported on the schedule and traced each to the individual's personnel file and determined if the individual's salary, extra compensation and full time equivalents were properly included on the schedule.

Findings:

None

8. We recalculated the average salaries and full time equivalents reported on the schedule.

Findings:

None

Class Size Characteristics (Schedule 6)

9. We obtained a list of classes by school, school type and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1st roll books for those classes and determined if the class was properly classified on the schedule.

Findings:

Of the 10 classes selected for testing, two (2) of the classes included students that were reported as part of the class count that did not attend the sampled class. Due to the nature of the sample and population, it could not be determined if these classes were properly classified on the schedule.

Louisiana Educational Assessment Program (LEAP) (Schedule 7)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported on the schedule by the Foundation.

Findings:

None

Graduation Exit Exam (Schedule 8)

11. Not applicable.

iLEAP Test Results (Schedule 9)

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported on the schedule by the Foundation.

Findings:

None

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Foundation, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA
December 17, 2014

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
Schedules Required by Louisiana State Law
(R.S. 24:514 - Performance and Statistical Data)
As of and For the Year Ended June 30, 2014

Schedule 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes and nonpublic textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

Schedule 2 - Education Levels of Public School Staff

This schedule includes the certificated and uncertificated number and percentage of full time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Bachelor's; Master's; Master's +30; Specialist in Education; and Ph. D. or Ed. D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 3 - Number and Type of Public Schools

This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 4 - Experience of Public Principals, Assistant Principals and Full Time Classroom Teachers

This schedule includes the number of years of experience in teaching for principals, assistant principals and full time teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 5 - Public School Staff Data

This schedule includes average classroom teachers' salary using full time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 6 - Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students. This data is currently reported to the Legislature in the Annual School Report (ASR).

Schedule 7 - Louisiana Educational Assessment Program (LEAP)

This schedule represents student performance testing data and includes summary scores by district for grades 4 and 8 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

Schedule 8 - Graduation Exit Exam (GEE)

Not Applicable.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
Schedules Required by Louisiana State Law
(R.S. 24:514 - Performance and Statistical Data)
As of and For the Year Ended June 30, 2014

Schedule 9 - iLEAP Test Results

This schedule represents student performance testing data and includes a summary score for grades 3, 5, 6, and 7 for each district. The summary score reported is the Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the state. This schedule includes three years of data.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2014**

Schedule 1

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures:

Teacher and Student Interaction Activities		
Classroom Teacher Salaries	\$ 4,926,872	
Other Instructional Staff Activities	1,157,197	
Instructional Staff Employee Benefits	1,496,253	
Purchased Professional and Technical Services	1,573,719	
Instructional Materials and Supplies	81,884	
Instructional Equipment	68,506	
Total Teacher and Student Interaction Activities		\$ 9,304,431
Other Instructional Activities		76,821
Pupil Support Services	511,928	
Less: Equipment for Pupil Support Services	-	
Net Pupil Support Services		511,928
Instructional Staff Services	155,762	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services		155,762
School Administration	2,005,596	
Less: Equipment for School Administration	-	
Net School Administration		2,005,596
Total General Fund Instructional Expenditures		\$ 12,054,538
Total General Fund Equipment Expenditures		\$ 68,506

Certain Local Revenue Sources

Local Taxation Revenue

Constitutional Ad Valorem Taxes	\$ -
Renewable Ad Valorem Tax	-
Debt Service Ad Valorem Tax	-
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	-
Sales and Use Taxes	-
Total Local Taxation Revenue	\$ -

Local Earnings on Investment in Real Property

Earnings from 16th Section Property	\$ -
Earnings from Other Real Property	-
Total Local Earnings on Investment in Real Property	\$ -

State Revenue in Lieu of Taxes

Revenue Sharing - Constitutional Tax	\$ -
Revenue Sharing - Other Taxes	-
Revenue Sharing - Excess Portion	-
Other Revenue in Lieu of Taxes	-
Total State Revenue in Lieu of Taxes	\$ -

Nonpublic Textbook Revenue	\$ -
Nonpublic Transportation Revenue	\$ -

See independent accountant's report on applying agreed-upon procedures.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
 NEW ORLEANS, LOUISIANA
 Education Levels of Public School Staff
 As of October 1, 2013

Schedule 2

Category	Full Time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Bachelors Degree	45	58%	52	79%	1	14%		
Masters Degree	29	37%	14	21%	5	72%		
Masters Degree +30	4	5%						
Specialist in Education								
Ph. D. or Ed. D.					1	14%		
Total	78	100%	66	100%	7	100%	0	0%

See independent accountant's report on applying agreed-upon procedures.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Number and Type of Public Schools
For the Year Ended June 30, 2014

Schedule 3

Type	Number
Elementary	3
Middle/Jr. High	
Secondary	
Combination	
Total	3

See independent accountant's report on applying agreed-upon procedures.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Experience of Public Principals, Assistant Principals
and Full Time Classroom Teachers
As of October 1, 2013

Schedule 4

	0 - 1 Yr.	2 - 3 Yrs.	4 - 10 Yrs.	11 - 14 Yrs.	15 - 19 Yrs.	20 - 24 Yrs.	25+ Yrs.	Total
Assistant Principals			1	1	1	1		4
Principals				1	2			3
Classroom Teachers	12	23	48	24	12	7	18	144
Total	12	23	49	26	15	8	18	151

See independent accountant's report on applying agreed-upon procedures.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Public School Staff Data
For the Year Ended June 30, 2014

Schedule 5

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers' Salary Including Extra Compensation	\$48,945	\$48,945
Average Classroom Teachers' Salary Excluding Extra Compensation	\$46,685	\$46,685
Number of Teacher Full Time Equivalents (FTEs) Used in Computation of Average Salaries	155.1	155.1

See independent accountant's report on applying agreed-upon procedures.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Class Size Characteristics
As of October 1, 2013

Schedule 6

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Elementary	69	13%	388	71%	74	13%	18	3%
Elementary Activity Classes	3	5%	50	78%	8	13%	3	5%

See independent accountant's report on applying agreed-upon procedures.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Louisiana Educational Assessment Program (LEAP)
For the Year Ended June 30, 2014

Schedule 7

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2014		2013		2012		2014		2013		2012		2014		2013		2012		2014		2013		2012	
	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%
Grade 4																								
Advanced	5	3%	5	2%	3	2%	31	17%	14	7%	6	4%	1	1%	2	1%	0	0%	2	1%	0	0%	2	1%
Mastery	69	39%	45	22%	38	25%	51	28%	39	19%	46	31%	18	10%	15	7%	18	12%	43	24%	15	7%	19	13%
Basic	71	39%	105	51%	69	46%	59	34%	78	37%	56	37%	104	58%	80	40%	68	46%	92	52%	106	52%	78	53%
Approaching Basic	20	11%	31	15%	30	20%	22	12%	27	13%	25	17%	43	24%	64	31%	47	32%	25	14%	56	27%	27	18%
Unsatisfactory	14	8%	21	10%	10	7%	16	9%	49	24%	17	11%	12	7%	44	21%	16	10%	16	9%	28	14%	23	15%
Total	179	100%	207	100%	150	100%	179	100%	207	100%	150	100%	178	100%	205	100%	149	100%	178	100%	205	100%	149	100%

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2014		2013		2012		2014		2013		2012		2014		2013		2012		2014		2013		2012	
	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%
Grade 8																								
Advanced	0	0%	1	1%	0	0%	2	1%	2	1%	0	0%	2	1%	3	2%	0	0%	0	0%	1	1%	0	0%
Mastery	13	8%	12	7%	4	17%	1	1%	0	0%	0	0%	16	10%	8	5%	3	13%	10	6%	5	3%	1	4%
Basic	76	45%	62	36%	8	35%	92	54%	70	41%	13	57%	67	39%	62	36%	7	30%	83	49%	77	44%	8	35%
Approaching Basic	63	37%	76	43%	9	39%	45	27%	58	33%	7	30%	58	35%	64	37%	10	44%	46	27%	47	27%	9	39%
Unsatisfactory	17	10%	23	13%	2	9%	28	17%	44	25%	3	13%	25	15%	37	20%	3	13%	31	18%	44	25%	5	22%
Total	169	100%	174	100%	23	100%	168	100%	174	100%	23	100%	168	100%	174	100%	23	100%	170	100%	174	100%	23	100%

See independent accountant's report on applying agreed-upon procedures.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Graduation Exit Exam (GEE)
For the Year Ended June 30, 2014

Schedule 8

The Foundation does not have grades 10 or 11; therefore, this schedule does not apply.

See independent accountant's report on applying agreed-upon procedures.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
iLEAP Test Results
For the Year Ended June 30, 2014

Schedule 9

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2014		2014		2014		2014	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3								
Advanced	9	4%	14	7%	2	1%	1	0%
Mastery	50	24%	31	15%	23	11%	27	13%
Basic	90	44%	83	40%	95	47%	114	55%
Approaching Basic	22	11%	46	22%	48	23%	32	16%
Unsatisfactory	35	17%	32	16%	38	18%	32	16%
Total	206	100%	206	100%	206	100%	206	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2014		2014		2014		2014	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	4	2%	2	1%	1	1%	3	2%
Mastery	21	12%	27	15%	10	6%	4	2%
Basic	85	47%	57	32%	84	46%	72	40%
Approaching Basic	46	25%	40	22%	58	32%	65	36%
Unsatisfactory	25	14%	55	30%	28	15%	37	20%
Total	181	100%	181	100%	181	100%	181	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2014		2014		2014		2014	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	2	1%	2	1%	0	0%	1	1%
Mastery	19	11%	14	8%	4	2%	9	5%
Basic	88	51%	90	52%	96	56%	76	43%
Approaching Basic	34	20%	39	22%	51	29%	52	30%
Unsatisfactory	30	17%	29	17%	23	13%	36	21%
Total	173	100%	174	100%	174	100%	174	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2014		2014		2014		2014	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7								
Advanced	4	2%	0	0%	6	3%	2	1%
Mastery	19	11%	12	7%	23	13%	9	5%
Basic	86	48%	98	56%	78	44%	84	47%
Approaching Basic	47	27%	38	21%	48	27%	58	33%
Unsatisfactory	21	12%	29	16%	23	13%	25	14%
Total	177	100%	177	100%	178	100%	178	100%

Note: The Foundation does not have a Grade 9.

See independent accountant's report on applying agreed-upon procedures.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
iLEAP Test Results
For the Year Ended June 30, 2013

Schedule 9 (Continued)

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2013		2013		2013		2013	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3								
Advanced	10	5%	8	4%	2	1%	1	1%
Mastery	36	19%	33	17%	15	8%	24	13%
Basic	92	48%	85	45%	94	49%	82	42%
Approaching Basic	27	14%	31	16%	55	29%	54	28%
Unsatisfactory	27	14%	35	18%	25	13%	30	16%
Total	192	100%	192	100%	191	100%	191	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2013		2013		2013		2013	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	2	1%	2	1%	0	0%	0	0%
Mastery	24	13%	12	7%	7	4%	10	6%
Basic	71	40%	78	44%	58	32%	84	47%
Approaching Basic	41	24%	38	21%	70	40%	37	21%
Unsatisfactory	40	22%	48	27%	42	24%	46	26%
Total	178	100%	178	100%	177	100%	177	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2013		2013		2013		2013	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	1	1%	2	1%	0	0%	3	2%
Mastery	14	8%	15	9%	17	10%	10	6%
Basic	67	40%	88	52%	69	41%	80	47%
Approaching Basic	53	31%	35	21%	57	34%	52	31%
Unsatisfactory	34	20%	29	17%	26	15%	24	14%
Total	169	100%	169	100%	169	100%	169	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2013		2013		2013		2013	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7								
Advanced	4	2%	3	2%	1	1%	0	0%
Mastery	11	6%	7	4%	15	8%	6	3%
Basic	98	54%	92	50%	82	46%	92	51%
Approaching Basic	47	26%	37	20%	58	32%	47	26%
Unsatisfactory	21	12%	43	24%	24	13%	36	20%
Total	181	100%	182	100%	180	100%	181	100%

Note: The Foundation does not have a Grade 9.

See independent accountant's report on applying agreed-upon procedures.

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
iLEAP Test Results
For the Year Ended June 30, 2012

Schedule 9 (Continued)

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2012		2012		2012		2012	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3								
Advanced	1	1%	9	6%	2	1%	0	0%
Mastery	39	26%	17	11%	22	15%	29	20%
Basic	79	53%	82	56%	74	51%	75	51%
Approaching Basic	23	16%	30	20%	40	27%	31	21%
Unsatisfactory	6	4%	10	7%	9	6%	12	8%
Total	148	100%	148	100%	147	100%	147	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2012		2012		2012		2012	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	0	0%	3	2%	0	0%	1	1%
Mastery	17	13%	10	8%	8	6%	7	5%
Basic	62	48%	66	52%	44	34%	56	44%
Approaching Basic	25	20%	26	20%	56	44%	36	28%
Unsatisfactory	24	19%	23	18%	20	16%	28	22%
Total	128	100%	128	100%	128	100%	128	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2012		2012		2012		2012	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	1	1%	6	5%	1	1%	5	4%
Mastery	27	23%	15	13%	16	14%	11	9%
Basic	54	46%	68	58%	61	52%	55	48%
Approaching Basic	29	25%	12	10%	32	27%	34	29%
Unsatisfactory	6	5%	16	14%	7	6%	12	10%
Total	117	100%	117	100%	117	100%	117	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2012		2012		2012		2012	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7								
Advanced	1	1%	1	1%	2	2%	0	0%
Mastery	4	3%	2	2%	11	8%	5	4%
Basic	58	43%	53	40%	45	35%	44	33%
Approaching Basic	47	36%	43	33%	53	40%	55	42%
Unsatisfactory	22	17%	32	24%	20	15%	27	21%
Total	132	100%	131	100%	131	100%	131	100%

Note: The Foundation does not have a Grade 9.

See independent accountant's report on applying agreed-upon procedures.

SUPPLEMENTARY INFORMATION

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Schedule of Board of Directors
For the Year Ended June 30, 2014

<u>Board Members</u>	<u>Compensation</u>
Don Beery 1340 Poydras Street, Suite 1900 New Orleans, LA 70112 504-586-3184	\$ -0-
Anthony Carter 201 St. Charles Avenue, Suite 3912 New Orleans, LA 70170 504-561-8927	\$ -0-
Pierre Conner III 201 St. Charles Avenue, Suite 1830 New Orleans, LA 70170 504-593-6108	\$ -0-
Robert Evans 1046 Annunciation Street New Orleans, LA 70130 504-523-4788	\$ -0-
Asher Friend 715 Short Street New Orleans, LA 70118 504-582-8362	\$ -0-
William Goliwas 5935 Magazine Street New Orleans, LA 70118 504-523-4521	\$ -0-
James Huger, President 1010 Common Street, Suite 2950 New Orleans, LA 70112 504-523-4521, ext. 1611	\$ -0-
Hans Jonassen, Treasurer 4400 N. Galvez Street New Orleans, LA 70117 504-944-3366	\$ -0-

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Schedule of Board of Directors (Continued)
For the Year Ended June 30, 2014

<u>Board Members</u>	<u>Compensation</u>
Kevin Kane 643 Magazine Street, Suite 301 New Orleans, LA 70130 504-899-1450	\$ -0-
Wendy Lodrig 1010 Common Street, Suite 2950 New Orleans, LA 70122 504-565-5546	\$ -0-
Alysson Mills 1817 Coliseum Street New Orleans, LA 70130 504-586-5252	\$ -0-
Margo Phelps 1416 Valmont Street New Orleans, LA 70115 504-899-4793	\$ -0-
Laura Sillars 5900 Prytania Street New Orleans, LA 70115 504-891-6221	\$ -0-
James Swanson, Vice President 201 St. Charles Avenue, Suite 4600 New Orleans, LA 70170-4600 504-586-5267	\$ -0-
Kate Werner 1137 Delachaise Street New Orleans, LA 70115 504-895-3024	\$ -0-
Dewanda Young-Hill 1619 Jefferson Avenue New Orleans, LA 70115 504-894-8331	\$ -0-

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Combining Statement of Financial Position
June 30, 2014

	Lafayette Academy Charter School	Esperanza Charter School	McDonogh 42 Elementary Charter School
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 969,075	\$ 650,982	\$ 298,508
Grants Receivable	1,099,904	387,037	419,113
Prepaid Expenses	31,422	6,631	11,399
Intercompany Receivables	-	212,231	-
Other Receivables	234,010	164,130	(398,140)
Total Current Assets	2,334,411	1,421,011	330,880
Property and Equipment			
Furniture, Fixtures, and Equipment	1,711,024	495,888	181,395
Leasehold Improvements	1,334,556	281,680	242,464
Less: Accumulated Depreciation	(2,185,623)	(432,767)	(34,048)
Net Property and Equipment	859,957	344,801	389,811
Total Assets	\$ 3,194,368	\$ 1,765,812	\$ 720,691
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable	\$ 243,414	\$ 92,500	\$ 86,228
Accrued Expenses	761,552	409,470	333,052
Intercompany Payables	212,231	-	-
Total Current Liabilities	1,217,197	501,970	419,280
Net Assets			
Unrestricted	1,977,171	1,263,842	301,411
Total Net Assets	1,977,171	1,263,842	301,411
Total Liabilities and Net Assets	\$ 3,194,368	\$ 1,765,812	\$ 720,691

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Combining Statement of Financial Position (Continued)
June 30, 2014

	Eliminations	Consolidated
Assets		
Current Assets		
Cash and Cash Equivalents	\$ -	\$ 1,918,565
Grants Receivable	-	1,906,054
Prepaid Expenses	-	49,452
Intercompany Receivables	(212,231)	-
Other Receivables	-	-
Total Current Assets	<u>(212,231)</u>	<u>3,874,071</u>
Property and Equipment		
Furniture, Fixtures, and Equipment	-	2,388,307
Leasehold Improvements	-	1,858,700
Less: Accumulated Depreciation	-	(2,652,438)
Net Property and Equipment	<u>-</u>	<u>1,594,569</u>
Total Assets	<u>\$ (212,231)</u>	<u>\$ 5,468,640</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ -	\$ 422,142
Accrued Expenses	-	1,504,074
Intercompany Payables	(212,231)	-
Total Current Liabilities	<u>(212,231)</u>	<u>1,926,216</u>
Net Assets		
Unrestricted	<u>-</u>	<u>3,542,424</u>
Total Net Assets	<u>-</u>	<u>3,542,424</u>
Total Liabilities and Net Assets	<u>\$ (212,231)</u>	<u>\$ 5,468,640</u>

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Combining Statement of Activities
For the Year Ended June 30, 2014

	Lafayette Academy Charter School			Esperanza Charter School		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
State and Local Public School Funding						
Minimum Foundation Program	\$ 8,746,106	\$ -	\$ 8,746,106	\$ 4,851,284	\$ -	\$ 4,851,284
Federal Grants	2,956,294	-	2,956,294	1,491,480	-	1,491,480
Federal School Lunch Program	472,205	-	472,205	278,399	-	278,399
Private Grants and Donations	-	271,193	271,193	-	28,583	28,583
Other State Funding	97,764	-	97,764	1,927	-	1,927
Other Income	105,435	-	105,435	47,445	-	47,445
Interest Income	226	-	226	-	-	-
Net Assets Released from Restrictions	271,193	(271,193)	-	28,583	(28,583)	-
Total Support and Revenue	12,649,223	-	12,649,223	6,699,118	-	6,699,118
Expenses						
Program Services						
Regular Education Programs	5,541,666	-	5,541,666	2,876,456	-	2,876,456
Operation and Maintenance of Plant	1,290,311	-	1,290,311	779,563	-	779,563
Special Education Programs	1,131,667	-	1,131,667	790,702	-	790,702
School Administration	1,061,231	-	1,061,231	493,393	-	493,393
Food Service Operations	489,720	-	489,720	273,943	-	273,943
Pupil Support Services	224,284	-	224,284	131,411	-	131,411
Special Programs	247,311	-	247,311	17,175	-	17,175
Instructional Staff Services	6,036	-	6,036	149,331	-	149,331
Other Instructional Programs	42,963	-	42,963	17,281	-	17,281
Student Activities	3,334	-	3,334	15,970	-	15,970
Management and General						
Business Services	999,551	-	999,551	283,006	-	283,006
General Administration	180,339	-	180,339	91,055	-	91,055
Central Services	67,117	-	67,117	19,601	-	19,601
Total Expenses	11,285,530	-	11,285,530	5,938,887	-	5,938,887
Loss on Disposal of Property and Equipment	1,958	-	1,958	10,787	-	10,787
Total Expenses and Losses	11,287,488	-	11,287,488	5,949,674	-	5,949,674
Change in Net Assets	1,361,735	-	1,361,735	749,444	-	749,444
Net Assets, Beginning of Year	615,436	-	615,436	514,398	-	514,398
Net Assets, End of Year	\$ 1,977,171	\$ -	\$ 1,977,171	\$ 1,263,842	\$ -	\$ 1,263,842

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Combining Statement of Activities (Continued)
For the Year Ended June 30, 2014

	McDonogh 42 Elementary Charter School			Consolidated		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
State and Local Public School Funding						
Minimum Foundation Program	\$ 4,322,214	\$ -	\$ 4,322,214	\$ 17,919,604	\$ -	\$ 17,919,604
Federal Grants	1,433,601	-	1,433,601	5,881,375	-	5,881,375
Federal School Lunch Program	273,957	-	273,957	1,024,561	-	1,024,561
Private Grants and Donations	-	-	-	-	299,776	299,776
Other State Funding	93,794	-	93,794	193,485	-	193,485
Other Income	20,284	-	20,284	173,164	-	173,164
Interest Income	-	-	-	226	-	226
Net Assets Released from Restrictions	-	-	-	299,776	(299,776)	-
Total Support and Revenue	6,143,850	-	6,143,850	25,492,191	-	25,492,191
Expenses						
Program Services						
Regular Education Programs	2,906,537	-	2,906,537	11,324,659	-	11,324,659
Operation and Maintenance of Plant	810,472	-	810,472	2,880,346	-	2,880,346
Special Education Programs	467,954	-	467,954	2,390,323	-	2,390,323
School Administration	558,019	-	558,019	2,112,643	-	2,112,643
Food Service Operations	256,399	-	256,399	1,020,062	-	1,020,062
Pupil Support Services	168,554	-	168,554	524,249	-	524,249
Special Programs	225,492	-	225,492	489,978	-	489,978
Instructional Staff Services	1,928	-	1,928	157,295	-	157,295
Other Instructional Programs	14,809	-	14,809	75,053	-	75,053
Student Activities	-	-	-	19,304	-	19,304
Management and General						
Business Services	267,642	-	267,642	1,550,199	-	1,550,199
General Administration	74,978	-	74,978	346,372	-	346,372
Central Services	15,530	-	15,530	102,248	-	102,248
Total Expenses	5,768,314	-	5,768,314	22,992,731	-	22,992,731
Loss on Disposal of Property and Equipment	129,859	-	129,859	142,604	-	142,604
Total Expenses and Losses	5,898,173	-	5,898,173	23,135,335	-	23,135,335
Change in Net Assets	245,677	-	245,677	2,356,856	-	2,356,856
Net Assets, Beginning of Year	55,734	-	55,734	1,185,568	-	1,185,568
Net Assets, End of Year	\$ 301,411	\$ -	\$ 301,411	\$ 3,542,424	\$ -	\$ 3,542,424

**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditor's Report

To the Board of Directors
Choice Foundation, a Non-Profit Organization
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Choice Foundation, a Non-Profit Organization (the Foundation), which comprise the statement of financial position as of and for the year ended June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance with the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
December 17, 2014

**REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

To the Board of Directors
Choice Foundation, a Non-Profit Organization
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Choice Foundation, a Non-Profit Organization's (the Foundation) compliance with the types of compliance requirements described in the Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended June 30, 2014. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the Foundation's compliance for each of the Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charge with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA
December 17, 2014

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Expenditures
United States Department of Agriculture Passed through the Louisiana Department of Education Child Nutrition Cluster National School Lunch Program	10.555	<u>\$ 1,024,561</u>
United States Department of Education Passed through the Louisiana Department of Education Title I, Part A Cluster Title I Grants to Local Educational Agencies	84.010A	<u>1,143,779</u>
School Improvement Grant Cluster School Improvement Grants	84.377A	3,062,682
School Improvement Grants, Recovery Act	84.388A	<u>247,847</u>
Total School Improvement Grant Cluster		<u>3,310,529 *</u>
Special Education Cluster (IDEA) Special Education - Grants to States (IDEA Part B)	84.027A	416,366
Special Education - Preschool Grants (IDEA Preschool)	84.173A	<u>4,119</u>
Total Special Education Cluster (IDEA)		<u>420,485 *</u>
Title II Improving Teacher Quality State Grants	84.367A	233,919
English Language Acquisition State Grants	84.365A	24,958
Hurricane Educator Assistance Program	84.398K	43,175
Passed through New Schools for New Orleans, Inc. Teacher Incentive Fund	84.374A	326,149
Investing in Innovation (i3) Fund	84.396B	159,133
United States Department of Health and Human Services Passed through the Louisiana Department of Education Temporary Assistance for Needy Families (TANF)	93.558	<u>178,848 *</u>
Total		<u>\$ 6,865,536</u>

* Denotes Major Program

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Note 1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal awards of Choice Foundation, a Non-Profit Organization (the Foundation). The Foundation's reporting entity is defined in Note 1 to the financial statements for the year ended June 30, 2014. All federal awards received from federal agencies are included on the schedule.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Foundation and is presented on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the Foundation has met the qualifications for the respective grants.

Accrued Reimbursement

Various reimbursement procedures are used for federal awards received by the Foundation. Consequently, timing differences between expenditures and program reimbursements may exist at the beginning and end of the year. Any accrued balances at year-end represent an excess of reimbursable expenditures over reimbursements received.

Federal Revenues not Considered Federal Awards

The Foundation recorded federal Medicaid revenues and related expenses related to of \$40,400 that were not considered federal awards. As such, this amount was excluded from this schedule.

**CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

Part I - Summary of Auditor's Results

Financial Statement Section

- | | |
|---|------------|
| 1. Type of auditor's report | Unmodified |
| 2. Compliance and internal control over financial reporting | |
| a. Material weaknesses identified | None |
| b. Significant deficiencies identified not considered to be material weaknesses | None |
| c. Noncompliance noted | None |

Federal Awards Section

- | | |
|--|------------|
| 3. Type of auditor's report issued on compliance for major programs | Unmodified |
| 4. Internal control over major programs | |
| a. Material weaknesses identified | None |
| b. Significant deficiencies identified not considered to be material weaknesses | None |
| 5. Audit findings disclosed that are required in accordance with OMB A-133, Section 510a | None |
| 6. Identification of major programs | |
| 84.027A and 84.173A - Special Education Cluster | |
| 84.377A and 84.388A - School Improvement Grant Cluster | |
| 93.558 - Temporary Assistance for Needy Families (TANF) | |
| 7. Dollar threshold used to distinguish between Type A and B programs | \$300,000 |
| 8. Auditee qualified as a low-risk auditee under OMB A-133, Section 530 | Yes |

Part II - Financial Statement Findings Section

None

Part III - Federal Award Findings and Questioned Costs Section

None

CHOICE FOUNDATION, A NON-PROFIT ORGANIZATION
NEW ORLEANS, LOUISIANA
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2014

Part I - Financial Statement Findings Section

None

Part II - Federal Award Findings and Questioned Costs Section

None

December 17, 2014

To the Senior Management and Board of Directors
Choice Foundation, A Non-Profit Organization
1010 Common Street
New Orleans, LA 70112

Ladies and Gentlemen:

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of Choice Foundation, A Non-Profit Organization (the Foundation) for the year ended June 30, 2014. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the Foundation's practices and procedures.

Accounting for Fixed Assets

Capitalization Policy

During an analysis of fixed asset activity, it was noted that the Foundation is utilizing a capitalization threshold of roughly \$1,000 for most assets in an effort to simplify the asset capitalization process. Largely due to the growth of the entity, we recommend that the Foundation evaluate the cost-benefit of the current capitalization threshold policy. We further recommend that the Foundation evaluate this capitalization threshold policy with its tax consultant to aide in ensuring compliance with the recent tangible assets and repairs (TARS) guidance released by the Internal Revenue Service.

Useful Lives of Fixed Assets

During a test of fixed asset transactions, it was noted that useful lives are being universally applied to categories of assets, rather than based on the characteristics of the individual asset. During the same test, it was also noted that the invoicing and other supporting documentation for fixed assets purchased indicated that the useful life would differ from the useful life defined by management of the Foundation. During the same test, it was also noted that certain short-term software costs were being capitalized rather than expensed. We recommend that the Foundation establish controls to evaluate the useful lives of assets as they are purchased and to assign more precise useful lives based on the characteristics of the asset.

Presentation of Asset Classifications

During a test of fixed asset transactions, it was noted that software costs were being capitalized as machinery and equipment. For financial statement clarification, we recommend that the Foundation establish more precise asset classification descriptions and track purchased based on these classifications. An example for software costs would be "Software" or "Software and Intangibles."

Fixed Asset Impairment

During a test of fixed asset transactions, certain assets were noted on the fixed asset schedule that appear to be impaired. The Foundation does appear to have a process in place to review assets for impairment, as management was able to provide a journal entry to record \$142,604 in losses related to impaired leasehold improvements. However, we recommend that the Foundation establish a regular review of the asset listing for impairment. We further recommend that the Foundation apply this review process to all asset classifications.

Improvement Projects and Related Bid Law Requirements

During an analysis of fixed asset transactions, we noted roughly \$461,556 in renovation costs to the Foundation's campuses that were capitalized. Additionally, during an analysis of expense transactions, we noted additional costs to the same vendors that were not capitalized. While the Foundation appears to have a policy in place for securing and evaluating bids, we recommend that the Foundation evaluate this policy to ensure compliance with the Louisiana public bid law statutes applicable to charter schools, including, but not limited to, La. R.S. 38.2211. Additionally, in an effort to better monitor capitalized costs, we recommend that management accumulate costs by project on its internal fixed asset schedule. This will also aide management in assessing for any future fixed asset impairments.

Management's Response:

The Foundation's Management and Board of Directors will implement the following measures:

1. Evaluate the cost-benefit of the current capitalization threshold policy;
2. Evaluate the capitalization threshold policy with an independent CPA firm to aide in ensuring compliance with the recent tangible assets and repairs (TARS) guidance released by the Internal Revenue Service;
3. Establish controls to evaluate the useful lives of assets as they are purchased and assign more precise useful lives based on the characteristics of the asset;
4. Establish more precise asset classification descriptions and track purchases based on these classifications;
5. Establish a regular review of the asset listing for impairment. The review process will be applied to all asset classifications; and
6. Accumulate costs by project on an internal fixed asset schedule.

Accounting for Accrued Expenses

Accrued Expenses

During a test of 15 subsequent disbursements, it was noted that 2 of the disbursements were not properly accrued. While the unrecorded invoices and the projected misstatement computed related to these invoices were determined to be immaterial to the financial statements as a whole, additional invoices may exist that were not properly accrued. We recommend that management evaluate its processes for reviewing invoices and disbursements near fiscal year end for inclusion in the appropriate period.

Accrued Payroll

During a test of payroll expenses, we recomputed an estimated \$98,488 in payroll costs related to 12-month employees that were not accrued at year end. This amount was determined to be immaterial to the financial statements as a whole. While we have identified this situation in previous audits, the computed value continues to increase as the Foundation continues to grow. As such, we recommend that management evaluate its processes for accruing payroll costs related to 12-month employees when said costs overlap the fiscal year end.

Management's Response:

The Foundation's Management and Board of Directors will implement the following measures:

1. Evaluate its processes for reviewing invoices and disbursements near fiscal year end for inclusion in the appropriate period; and
2. Evaluate its processes for accruing payroll costs related to 12-month employees when said costs overlap the fiscal year end.

Supporting Documentation for Cash Disbursements

Credit Card Transactions

During a test of 11 credit card transactions, one (1) of the transactions did not appear to have sufficient supporting documentation, as defined by Louisiana Legislative Auditor best practices and sample policies. The transaction in question was for a meal at a restaurant. Because the original invoice and receipt were unavailable, the missing receipt form was completed, as required by Foundation policy. However, the form did not appear to properly detail the expenses that were incurred, including the Foundation's purpose of the meal and the names of all persons participating in the meal. While management does appear to have a policy in place to monitor credit card activity, we recommend that management more strictly enforce this policy.

Management's Response:

The Foundation's Management and Board of Directors will implement the following measures:

1. More strictly enforce the credit card policy.

This letter is intended solely for the information and use of the Board of Directors, management and others within the Foundation and is not intended to be, and should not be, used by anyone other than these specified parties. We appreciate serving Choice Foundation and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

Sincerely,



LAPORTE
A Professional Accounting Corporation